

Message Text

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SUBJ: JOINT MEETING OF CENTRAL EUROPE PIPELINE POLICY COMMITTEE

(CEPPC) AND CENTRAL EUROPE PIPELINE OFFICE (CEPO)

IN BRUSSELS, 11-12 DECEMBER 1975

SUMMARY: CEPPC/CEPO COULD NOT APPROVE CENTRAL EUROPE PIPELINE SYSTEM (CEPS) 1976 BUDGET. INSTEAD, THEY AGREED TO GRANT FUNDING FOR FIRST QUARTER 1976 AT 1975 LEVELS ADJUSTED FOR INFLATION. COMMITTEES ALSO EXTENDED CHAIRMAN DUNCAN'S TERM TO 31 MARCH 1976 AND APPOINTED MR. HOFMAN (NETHERLANDS) AS DEPUTY CHAIRMAN. END SUMMARY.

ITEMS OF PRINCIPAL INTEREST REPORTED BELOW AND KEYED TO AGENDA ITEMS.

II. CEPS BUDGET FOR 1976. CHAIRMAN ATTEMPTED TO FOCUS COMMITTEES
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ON PARAGRAPH BY PARAGRAPH REVIEW OF BUDGET WORKING GROUP REPORT ON 1976 BUDGET PROPOSALS (AC/120-D/941 OF 3 NOV 75). BUDGET WORKING GROUP CHAIRMAN HOFMAN (NETHERLANDS) WARNED THAT MOST OF THE BUDGET PROPOSALS COULD NOT BE FURTHER REDUCED WITHOUT ATTACKING

THE OPEN LONG-TERM PROBLEMS OF OVERSTAFFING, OVER GUARDING, TAXES AND TARIFFS. BELGIAN REP (DUPONT) INDICATED HIS DISSATISFACTION WITH CENTRAL EUROPE OPERATING AGENCY (CEOA) PROPOSALS WHICH WOULD HAVE THE EFFECT OF INCREASING THE DEFICIT BY OVER 50 PCT. HE COULD NOT AGREE TO SUCH AN INCREASE AND MADE A PLEA FOR MAXIMUM HOST NATION COOPERATION TO ALLOW FOR AN INCREASE IN CONTRIBUTIONS NO GREATER THAN THE INCREASE THE NATIONS HAD ACCEPTED IN THEIR OWN 1976 MILITARY BUDGETS. US REP (LOVELAND) STATED THAT HE HAD BEEN RELUCTANT TO REQUEST APPROVAL BY HIS AUTHORITIES OF SUCH A SUBSTANTIAL INCREASE IN THE DEFICIT. HE ALSO INDICATED (PER USNATO 5902, PARA 7) THAT THE CEOA SUGGESTION FOR AN INCREASE IN MILITARY TARIFFS COULD ONLY BE ENTERTAINED BY THE US IF HOST NATIONS CONTRIBUTED TO THE SOLUTION BY REDUCTION IN COSTS OR INCREASES IN REVENUE FROM CIVIL MOVEMENTS.

THE REMAINDER OF THE BUDGET REVIEW WAS DEVOTED TO EXAMINATION OF PARTICULAR POINTS RAISED BY THE BUDGET WORKING GROUP (PER USNATO 5902). COMMITTEES CONFIRMED ALL SUGGESTED DELETIONS OR BLOCKINGS AND AGREED TO PREFINANCE PROCUREMENT OF REPLACEMENT ENGINES AND REPAIR OF RHINE RIVER CROSSING ONLY IF SHAPE CONFIRMED PRORAMMING OF THESE PROJECTS IN AN EARLY INFRASTRUCTURE SLICE.

PRINCIPAL ITEM OF DEBATE WAS THE GERMAN REQUEST FOR SOME FRENCH FRANCS 6 MILLION TO COVER VALUE ADDED TAXES. GERMAN REP (THOLEN) REFUSED TO DROP THE GERMAN REQUEST UNLESS THE FRENCH TAXES WERE ALSO DELETED FROM THE BUDGET. COMMITTEES NOTED THAT NATIONAL TAXES AMOUNTED TO FRENCH FRANCS 16.5 MILLION (INCLUDING FRG REQUEST) AND THAT THE TIME HAD COME FOR REFUSAL BY NATO TO PAY SUCH TAXES ON ALLIANCE OPERATIONS. FRENCH REP (GENTILHOMME) SUGGESTED THAT APPROVAL OF THE BUDGET WITHOUT THE FRENCH TAXES WOULD BE TANTAMOUNT TO REFUSAL TO APPROVE THE BUDGET, SINCE HIS AUTHORITIES WOULD NOT BE ABLE TO ENTER INTO ANY TAXABLE EXPENSE WOUTHOUT APPROVAL TO PAY THE TAXES. HE THEREFORE EEQUESTED THAT THE SUBJECT BE SETTLED BEFORE APPROVAL OF THE 1976 BUDGET. THE BELGIAN REP SUGGESTED THAT CONFIDENTIAL

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THE COMMITTEES INVITE HOST NATIONS TO CONFIRM WAIVER OF ALL VALUE ADDED TAXES ON CEPS OPERATIONS IN TIME FOR FURTHER DISCUSSIONS AT JANUARY MEETING. IF NO AGREEMENT COULD BE REACHED IN JANUARY, SUBJECT WOULD BE REFERRED TO THE EIGHT CEPS PERMREPS FOR RESOLUTION PRIOR TO APPROVAL OF 1976 BUDGET. FRENCH REP NOTED, OFF THE RECORD, THAT SUCH A PROCEDURE WOULD HELP HIM IN HIS CURRENT EFFORTS TO ACHIEVE SOLUTION WITH THE FRENCH MINISTRY OF FINANCE. COMMITTEES AGREED TO THE BELGIAN PROPOSAL AND DEFERRED THIS SUBJECT, ALONG WITH BUDGET APPROVAL, TO THE JANUARY MEETING.

III. TARIFF INCREASES. SUBJECT WAS DEFERRED TO JANUARY MEETING FOR DISCUSSION AFTER APPROVAL OF FINAL BUDGET FIGURE.

IV. CONTRACT EXTENSION FOR LAVERA-STRASBOURG CIVIL MOVEMENTS.

US REP AGAIN REQUESTED CEOA RECOMMENDATIONS ON TARIFF INCREASES FOR THESE MOVEMENTS. HE NOTED THAT NEW TARIFFS PROPOSED IN SEPTEMBER MEETING WERE STILL SUBJECT TO US CONFIRMATION PENDING SUCH RECOMMENDATIONS. GENERAL MANAGER (VERBOIS) STATED THAT CEOA HAD NO INFORMATION NOT HELD BY THE COMMITTEES AND SUGGESTED THAT COMMITTEES HAD NO ALTERNATIVE TO APPROVAL OF WHATEVER TARIFFS HOST NATIONS MIGHT SUGGEST. US REP, SUPPORTED BY SEVERAL OTHERS, STATED THAT HE EXPECTED PROFESSIONAL ASSISTANCE FROM THE STAFF AT CEOA AND WOULD NOT CONTINUE TO APPROVE CONTRACTS WITHOUT ANALYSIS OF COSTS AND TARIFFS IN THE FUTURE. HE AGREED, HOWEVER, TO ACCEPT THE EXTENSION OF THE LAVERA-STRASBOURG CONTRACTS IN 1976 ON A PROVISIONAL BASIS AND ON THE CONDITION THAT PRICE AND TARIFF DATA WOULD BE PROVIDED DURING THE YEAR. HE ALSO HOPED THAT THE SPECIAL TRAPIL PAYMENTS AFFECTING THESE MOVEMENTS WOULD BE RESOLVED BEFORE THE END OF 1976.

V. ANTWERP-TOURNAI CIVIL MOVEMENT INCREASES. COMMITTEES ACCEPTED BELGIAN STATEMENT CONCERNING TARIFF INCREASES DICTATED BY TERMS OF CONTRACT. AGAIN, CEOA WAS NOT ABLE TO EXPLAIN THE INCREASES, BUT BELGIAN REP (COL BIKAR) QUOTED TERMS OF CONTRACT WHEREIN TARIFFS WERE INDEXED ON OFFICIAL LABOR COSTS. COMMITTEES NOTED THAT INCREASE IN ENERGY COSTS HAD NOT BEEN TAKEN INTO ACCOUNT IN INDEXING TARIFFS AND REQUESTED BELGIAN AUTHORITIES RENEGOTIATE CONTRACT AT FIRST LEGAL OPPORTUNITY.

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VI. DAMAGE TO STRASBOURG-KEHL PIPELINE. AFCENT REP (PROBYN) STATED THAT AFCENT HAD PROPOSED PROGRAMMING OF THE REPAIR OF THE RHINE RIVER CROSSING IN SLICE XXVIII. HE INDICATED A HIGH MILITARY PRIORITY FOR THE PROJECT BUT COULD NOT GUARANTEE ITS ACCEPTANCE BY SHAPE. COMMITTEES REQUESTED SYG REP (STONE) TO DRAFT LETTER FROM SYG TO SACEUR INDICATING COMMITTEES' WILLINGNESS TO ADVANCE FUNDS FOR THE REPAIR ONLY WITH A FIRM PROMISE OF PROGRAMMING AT LEAST IN SLICE XXVIII.

VII. ELECTION OF CHAIRMAN AND VICE CHAIRMAN OF CEPPC FOR 1976.

CHAIRMAN STATED THAT HIS ONE YEAR TENURE WOULD DRAW TO A CLOSE AT END 1975 AND THAT HE WOULD BE RETIRING FROM THE CANADIAN CIVIL SERVICE ON 31 MARCH. HE REQUESTED THAT US AND UK REPS INDICATE WHETHER OR NOT THEY, AS THE ONLY OTHER NON-HOST COUNTRIES, COULD PROVIDE CHAIRMAN AND VICE CHAIRMAN FOR 1976. UK REP (PEYMAN) DECLINED, SINCE THE NEW UK REP WOULD BE ASSIGNED IN FEBRUARY AND COULD NOT ACCEPT THE ADDITIONAL RESPONSIBILITY. US REP DECLINED BECAUSE HE COULD NOT AFFORD TO DEVOTE THE REQUIRED 10-14 DAYS PER MONTH NEEDED TO PERFORM A CREDITABLE JOB IN ADMINISTERING COMMITTEE BUSINESS AND PROVIDING GUIDANCE TO CEOA. THE SYG REP SUGGESTED THAT THE COMMITTEES CONTINUE DUNCAN'S APPOINTMENT

THROUGH HIS RETIREMENT DATE ON 31 MARCH 1976 AND ELECT THE
COMMITTEE DOYEN (HOFMAN, NETHERLANDS) AS DEPUTY CHAIRMAN TO TAKE
OVER WHEN DUNCAN LEAVES. COMMITTEES AGREED TO THIS SOLUTION
FOR THE INTERIM AND REQUESTED US AND UK TO ATTEMPT TO FIND A
SOLUTION BY THE END OF 1976.BRUCE

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